

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

C = scholarship name
D = scholarship name
E = foundation
F = city
G = state
H = high school
I = web site
J = web site
K = employer
L = chamber of commerce
M = business
N = business
P = business
Q = business
R = city
S = school
T = hospital
w = dollar amount
x = dollar amount
y = number
z = number

UIL

4945.04-04

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated November 6, 2009.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code, and classified as a private foundation defined in section 509(a).

You will be offering a new scholarship program called C.

C will benefit the Community of F. F is located southeast of the state of G, and has approximately 11,000 residents (45% of the population is of or decent). The 20 median income for a household in F was approximately \$.

H is the only public high school serving F, and has an annual graduating class of around seniors.

You recognize the need to educate youth and to provide educational opportunities to improve the quality of life for future generations. Program C will afford students additional resources to pursue a college education with the goal of obtaining a college degree.

In the broadest sense, C seeks to strengthen F by promoting a culture that expects and enables young people to prepare to become the leaders of tomorrow by taking advantage of educational opportunities. C will provide concrete incentives for students to excel in their high school education, obtain a college degree, and then return to F as productive citizens and leaders.

C will foster a partnership with H to increase student graduation rates, to provide student resources, to establish partnership programs with colleges and universities, to provide families with affordable college education, and to provide continual encouragement and support for students throughout their educational process.

C also will encourage major employers to maintain strong ties to F and its surrounding communities by making scholarships available to children who do not attend H but whose parents are employed by employers that have local headquarters and provide substantial employment opportunities in F.

C is based on and similar to D, a scholarship program that had been operated by E. While D was administered by E you intend on using much of the same criteria for qualification including having already received an award through E.

You will publish detailed information about and application materials for C on website I, similar to the publications made on the website J of E.

H will also publicize C directly to students through its guidance counselors. You expect to receive widespread publicity and attention for C similar to the existing Program D conducted by E.

The amount of C generally will range up to w dollars. The minimum award is x dollars. You anticipate that the maximum award may be adjusted based on future tuition increase.

You expect that every applicant who meets all of the eligibility requirements will be awarded a scholarship. Based on the statistics from the similar scholarship D, you anticipate awarding anywhere from y to z scholarships.

In order to be eligible for C, an applicant must either:

- (a) Have received a scholarship from E through D during the previous academic year and did not receive a scholarship from D for the current year

OR

(b) Meet the following five conditions:

- (1) the applicant must be a current high school senior;
- (2) the applicant must be a United States citizen;
- (3) the applicant must be accepted to an accredited college or university in the United States.
- (4) the applicant must demonstrate a "Community Connection" to F.
- (5) the applicant must satisfy the minimum academic requirements by either
 - (i) maintaining a cumulative grade point average of 3.0 or better through his or her first seven semesters of high school or
 - (ii) ranking at the end of his or her seventh semester of high school, based on which, he or she is expected to graduate in the top 40% of his or her class.

A "Community Connection" may be demonstrated by either

- (A) Attending H for at least 3 years or
- (B) Having a parent who is an employee of a K employer.

A K employer will be any private, for-profit business and its affiliates that:

- (a) has its headquarters in F,
- (b) employs 100 or more people in F,
- (c) employs more people in F than outside F, and
- (d) has significant owners with close ties to F, or to any non-profit organizations, or to government agencies that (i) has its headquarters in F, (ii) employs 100 or more people in F, and (iii) employs more people in F than outside F.

The Scholarship Committee will annually certify and publish a list of the employers that qualify as K employers. According to the information available from Chamber of Commerce L, at least seven employers may qualify as K employers including M, N, P, Q, R, S, and T.

The five eligibility requirements may not be waived. In limited circumstances, the Scholarship Committee may elect, by a majority vote, to waive the minimum academic requirements due to family hardship, health problems or other compelling circumstances.

All scholarship applicants must submit their transcripts to you by the annual deadline.

Each application will be reviewed by your Scholarship Committee.

The Committee will consist of seven individuals. These members will be designated by your Board of Advisors (which makes decisions regarding your grant making and selected other activities). Currently, it consists of ten individuals designated by your trustees.

The Board of Advisors will designate two individuals as representatives of H, two individuals as representatives of major employers in F, and three individuals in the discretion of the Board of Advisors.

The following individuals will be prohibited from serving as a member of the Scholarship Committee: your organizer, your trustee, your Board of Directors, and any of your employees.

Your directors will participate in the meetings of your Scholarship Committee as members of the Committee but will not have a vote.

You recognize that those selected for the Scholarship Committee will have substantial connections within F. Since H is the only high school serving F, children or close relatives of members of your Scholarship Committee may attend H and qualify for the scholarship of C based on their academic achievement.

Children or close relatives of the members of the Committee are not disqualified from receiving a scholarship of C, but will only receive such scholarships based on their qualifications and as members of the charitable class benefited by C.

Whenever an applicant includes a child or close relatives of any members of the Committee, you will require the recusal of such member from making decisions with respect to such application.

At this time, you have sufficient funds to award a scholarship to every applicant who meets all of the eligibility requirements for many years. The Committee's role will be to determine which applicant meets all of the eligibility requirements and to determine the size of each award.

You require that each applicant provide complete information about the total costs of attending the applicant's chosen college or university, and about scholarship awards or grants that he or she receives from other sources. You will encourage applicants to complete the FASFA application annually.

In the event that you have insufficient funds to award scholarships to qualified applicants, the Committee will consider all factors and information in awarding scholarships to the students most likely to succeed at college or university, including class rank, grade point average, ACT or SAT scores, entrance examinations or advanced classes taken (such as honor classes or advanced Math or English classes), and participation in one or more extracurricular activities such as participation in a school sponsored club or team, in civic organizations, church sponsored groups, youth leagues or community services.

The Committee will not consider and will not discriminate against any applicants based on race, religion, sex, age, physical or mental disability, national origin, sexual orientation or form of community connections.

All recipients of C also must satisfy the following criteria after receiving an award:

- (1) he or she must enroll in the designated college or university for the fall semester after high school graduation and remain enrolled in a college or university thereafter,
- (2) he or she must maintain a cumulative 2.5 or better grade point average in college or university course work,
- (3) he or she must maintain at least 12 semester hours of courses,
- (4) he or she must notify you of any school transfer, and
- (5) he or she must provide his or her grade point average to you after each semester by the submission deadline.

You will not award any scholarships to your organizer, your trustee, your substantial contributors, or to the family members of your organizer, trustees or substantial contributors who would be considered disqualified persons within the meaning of Section 4946 of the Internal Revenue Code of 1986, as amended. The children of your trustees and the children of your substantial contributors are also excluded.

As a general rule, scholarships will be made for two consecutive years if the recipients are attending a community college and four consecutive years if the recipients are attending accredited colleges or universities.

In exceptional situations, you may extend the period, but not the amount, of the award. These exceptions may include an interruption in post secondary education due to any of the following:

- (i) military service of more than thirty days,
- (ii) an extended illness,
- (iii) the need to care for a family member during an extended illness or
- (iv) a degree program requiring more than four years for graduation.

You will provide written notification to scholarship recipients of awards, notify the applicable college or university of the award and invite the recipient and his/or her family to an award ceremony. The written notice will contain an explanation of the applicable terms and conditions.

You will verify student enrollment when you receive each recipient's transcript after each semester. A scholarship recipient is responsible for notifying you each year in which the scholarship is paid by providing following information:

- (1) the name of the educational institution to which the scholarships should be sent;
- (2) the address of the educational institution;
- (3) the applicant's total tuition, books and board for the academic year; and
- (4) following the initial year of enrollment, that the recipient still is a student in good standing at the educational institution, meaning a 2.5 or better cumulative GPA with 12 or more credit hours for the semester (intersession course are not eligible for the minimum credit hours).

Payments of any scholarship will be made directly from you to the colleges or universities that the recipients will be attending. Funds will never pass into private hands. You will verify that the funds actually pay for legitimate school expenses.

By making the scholarship payment directly to the college or university, the risk of a misuse of funds is minimized. In the extremely unlikely event that a college or university permitted a student to misuse scholarship funds, you would terminate the student's participation in the scholarship program and would attempt to recover the misused funds from both the negligent college or university and the student.

A student who withdraws or leaves school will not have an acceptable transcript at the end of the semester. No scholarship is awarded to any student not in school; and no scholarship is awarded to any student who fails to have an acceptable transcript.

You agree to maintain certain information regarding the scholarship program pursuant to Section 4945(d)(3) of the Internal Revenue Code of 1986, as amended, including the following:

- 1) The information used to evaluate the qualifications of potential grantees,
- 2) Identification of the grantees (including any relationship of any grantee to you), the amount and the purpose of each grant, and
- 3) All reports and other follow-up data obtained in administering D.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in

performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

A ruling has not been made on whether any prior arrangements with E were grant programs requiring 4945(g) advance approval.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

This letter supersedes the letter issued to you on February 14, 2010.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations

Enclosure: Notice 437
Redacted copy of this letter